



STATE BOARD OF EQUALIZATION STAFF LEGISLATIVE BILL ANALYSIS

Date Introduced:	02/25/00	Bill No:	AB 2655
Tax:	Sales and Use	Author:	Oller
Board Position:		Related Bills:	SB 1890 (Alarcon)

BILL SUMMARY:

This bill would provide a sales and use tax exemption for sales and purchases of items and materials when used to install a wheelchair lift for use by physically handicapped persons.

ANALYSIS:

Current Law:

Under existing law, the sales or use tax applies to the sale or use of tangible personal property in this state, unless otherwise exempted or excluded by statute. A specific exemption is contained in Section 6369.4 of the Sales and Use Tax Law with respect to modifications to vehicles for physically handicapped persons. Specifically, Section 6369.4 exempts the sale and purchase of items and materials which are used to modify a vehicle for physically handicapped persons and for the portion of the sales price or gross receipts of a vehicle that has been modified for a physically handicapped person and sold to a disabled person who is eligible to be issued a distinguishing license plate or placard for parking purposes pursuant to specified provisions of the Vehicle Code (charges for a wheelchair lift installed on a vehicle, for example, are exempt from sales and use tax).

The existing Sales and Use Tax Law provides a variety of other sales and use tax exemptions related to sales and purchases of property related to healthcare and associated necessities of life, as follows:

- Section 6369 provides an exemption for the sale and purchase of prescription medicines for the treatment of human beings. "Medicines" has been defined and redefined over the years to include a wide variety of items, including, among many other things, orthotic and prosthetic devices, programmable drug infusion devices; insulin and insulin syringes, artificial limbs and eyes, and custom-made biomechanical foot orthoses.
- Section 6369.1 exempts the sale and purchase of hemodialysis products supplied to a patient on order of a licensed physician and surgeon, as specified.
- Section 6369.2 exempts the sale or purchase of wheelchairs, crutches, canes, walkers, and their replacements parts, when sold to an individual for the personal use of that individual as directed by a physician.
- Section 6369.5 exempts the sale and purchase of medical oxygen delivery systems when sold, leased or rented to an individual for the personal use of that individual as directed by a physician.

This staff analysis is provided to address various administrative, cost, revenue and policy issues; it is not to be construed to reflect or suggest the Board's formal position.

- Section 6371 exempts the sale and purchase of medical alert tags, defined as any tag worn by a person for the purpose of alerting others that the wearer of the tag has a medical disability or allergic reaction to certain treatments.

Proposed Law:

This bill would add Section 6369.3 to the Sales and Use Tax Law to exempt sales and purchases of items and materials when used to install a wheelchair lift for the use of physically handicapped persons.

The bill would become operative on the first day of the calendar quarter commencing more than 90 days after the bill becomes effective.

COMMENTS:

1. **Sponsor and purpose.** This bill is sponsored by Board Member Dean Andal, and has been introduced at the request of a constituent who has been diagnosed with multiple sclerosis and is presently confined to a wheelchair. Tax was required to be paid on the resident's purchase of a wheelchair lift installed in his home. According to the author's office, because of a quirk in current law, persons using wheelchairs are being forced to pay sales tax on installing wheelchair lifts for their homes while installation in vehicles is exempt. The author and sponsor believe the costs of installing wheelchair lifts, regardless of location, should be exempt from tax.
2. **What about elevators, ramps and other modifications?** The bill would provide an exemption for sales and purchases of wheelchair lifts, whether installed in a residence, a commercial building, or a hospital. However, sales and purchases of elevators, ramps, and any other modifications to real property would remain subject to tax. Should this proposed exemption parallel the current exemption under Section 6369.4 for vehicle modifications?
3. **Bill would not be problematic to administer.** The proposed exemption would not materially affect the Board's administration of the Sales and Use Tax Law.
4. **Related legislation.** Senate Bill 1890 (Alarcon) has also been introduced to provide a sales and use tax exemption for the sale and purchase of incline lifts, vertical platform lifts, and elevators provided they are installed in the residence of a physically handicapped person, under specified conditions. SB 1890 would also exempt sales and purchases of specified passenger vehicles that have \$2,000 or more in modifications for physically handicapped persons, as specified.

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COST ESTIMATE:

Some costs would be incurred in notifying affected retailers, amending affected regulations, and verifying claimed exemptions. These costs would be absorbable.

REVENUE ESTIMATE:**Background, Methodology, and Assumptions**

Under current law, the installation of wheelchair lifts in vehicles for handicapped persons is exempt from state and local sales and use tax.

Under this proposal, the installation of a wheelchair lift in a private residence or business would be exempted from state and local sales and use tax. There are currently two types of lifts that qualify under this proposal: vertical lifts and incline lifts.

Based on discussions with wheelchair lift manufacturers and distributors, the total number of incline lifts and vertical platform lifts installed in private residences and businesses in California that qualify under this proposal is approximately 1,125. Based upon percentages provided by the industry, approximately 20 percent of all vertical lifts are residential applications while the remaining 80 percent are commercial applications. Of the 80 percent that are commercial applications, approximately 70 percent are commercial applications with a standard 48 inch height, which cost approximately \$7,500. The remaining 30 percent of commercial applications exceed the standard four foot height with increases in two foot increments, which adds considerably to the cost. Vertical lifts that exceed the standard 48 inch height range in price from \$18,000 to \$23,000.

The following table delineates the type, demand, and cost of each lift category:

<u>Type</u>	<u>Demand (per year)</u>	<u>Avg. Cost</u>	<u>Total Cost</u>
Incline Lift	225	\$22,000	\$ 5.0 million
Vertical Lift Residence	180	\$ 6,000	\$ 1.1 million
Commercial < 4'	504	\$ 7,500	\$ 3.8 million
Commercial > 4'	216	\$20,500	<u>\$ 4.4 million</u>
Total			\$14.3 million

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Of the total expenditures of \$14.3 million, 60 percent of that figure represents the cost of the lift; the remaining 40 percent represents labor costs not subject to tax. Therefore, the total expenditure for lifts that qualify under this proposal is \$8.6 million.

Revenue Summary

The revenue impact from exempting the \$8.6 million in lift costs from the state and local sales and use tax would be as follows:

	<u>Revenue Effect</u>
State loss (5%)	\$ 430,000
Local loss (2.25%)	\$ 194,000
Transit loss (0.67%)	<u>\$ 58,000</u>
Total loss	\$ 682,000

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